Complaints of credit card holders

4727. SHRI K.B. KRISHNA MURTHY : Will the Minister of FINANCE be pleased to state :

(a) whether a US Consumer Court has ruled that Visa and Master Card should refund alteast $500 million for poor disclosure of fees to card holders using such cards overseas;

(b) if so, whether this ruling will compensate the card holders who have paid excess currency conversion fee and surcharge since 1996;

(c) whether there have been persistent complaints from credit card holders in India about clandestine accounting procedures adopted by credit card companies/banks; and

(d) if so, what steps are being taken by Government to protect the interest of credit card holders?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL) : (a) and (b) Reserve Bank of India (RBI) have reported that a US state court case alleged that Master Card's method of converting currencies on U.S. issued Master Cards used for the purchase of goods or services in a foreign country was an unfair and unlawful business practice. The case alleged that Master Card methodology, which the plaintiffs characterize as a "fee" grossly exceeded any costs that Master Card incurs in connection with foreign currency conversions, and was not properly disclosed to card-holders. The court found that the practice is deceptive under state law, and ordered that Master Card mandate that members disclose the currency conversion process to card-holders in card-holder agreements, applications, solicitations and monthly billing statements. He also ordered unspecified restitution to California card-holders.

More than a dozen federal lawsuits are taking Visa and Master Card to task over foreign currency conversion charges. The suits claim the fees charged by Visa, Master Card and several major banks for purchases made outside the United States are excessive and violate the Truth-in-Lending Act.

Both Visa and Master Card are technically associations that provide transaction services to the banks who actually issue credit cards to their customers. The final decision on currency conversions and other fees rests with individual banks.

(c) and (d) RBI have further reported that credit card is basically a payment facility and as credit is incidental, the interest rate directives of RBI on loans and advances do not apply to the fees/service charges imposed on credit cards. Credit card dues being in the nature of other non-priority sector personal loans, banks are free to determine the rate of interest without reference to the Prime Lending Rate. Each bank makes an estimate of its costs depending upon the volume, technology adopted, facilities offered etc. for fixing the service charges.